Celia Nogales
Federal Regulatory Relations

1275 Pennsylvania Avenue, N.W., Suite 400
Washington, D.C. 20004
(202) 383-6423

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June 25, 1993

EX PARTE

Ms. Donna R. Searcy
Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

RE: CC Docket 92-77

Dear Ms. Searcy:

Today, Ms. Nancy Woolf, Mr. Derek Hibbard, and I, representing Pacific Bell, met with Mr. Gary Phillips and Mr. Mark Nadel of the Policy and Program Planning Division, Common Carrier Bureau, Mr. Jeffrey Hoagg, Legal Advisor to Commissioner Barrett and Ms. Linda Oliver, Legal Advisor to Comissioner Duggan, regarding the proceeding indicated above. The attached documents were used during the course of the presentation.

Pursuant to Section 1.1206(a)(1) of the Commission's Rules, an orignal and two copies of this notification are attached. Please stamp and return the provided copy to confirm your receipt. Please contact me should you have

FCC NPRM 92-77

Pacific Bell Ex-Parte

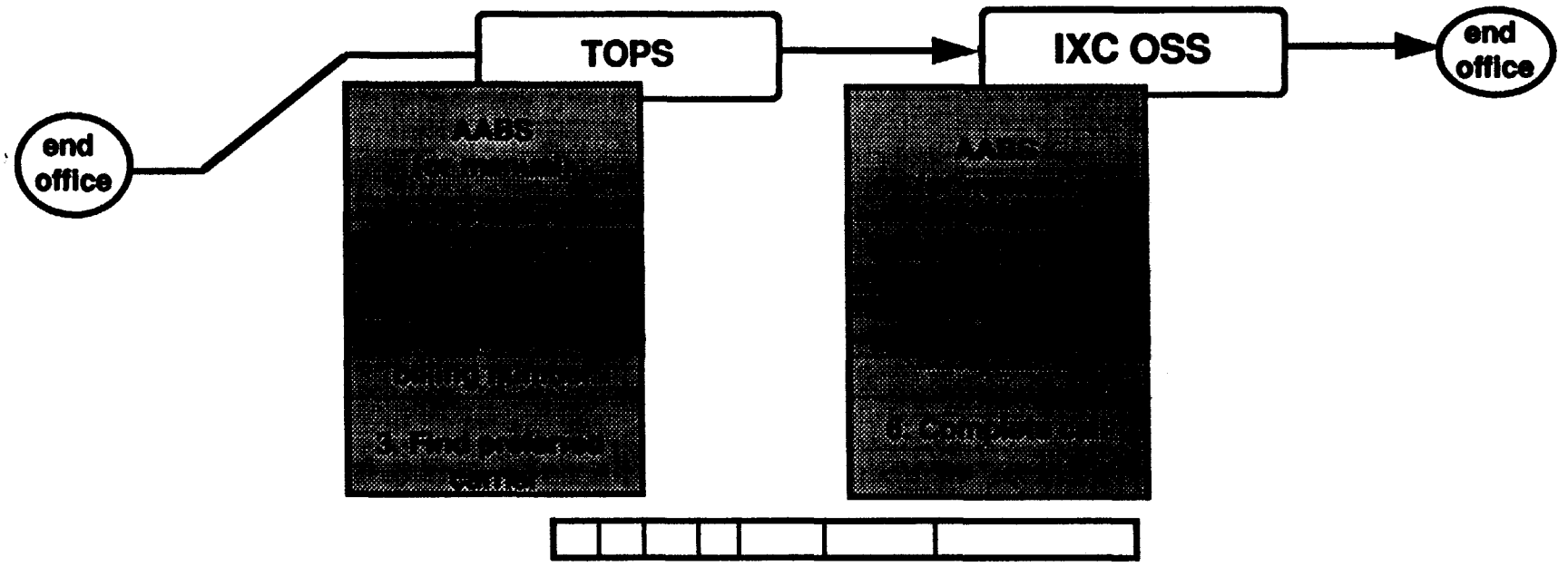
June 25, 1993

Common Design

Ameritech, MCI, Pacific Bell, and Southwestern Bell have plans to share a common design with other service providers.

- Design covers all types of alternate billing calls.
- On most failed billing, the LEC will attempt to obtain an alternative method.
- Two CIID/891 Card routing options will be provided.
- Foreign billing will route to the 1+ PIC in most cases.
- Network error conditions will be handled consistently.

Call Segmentation



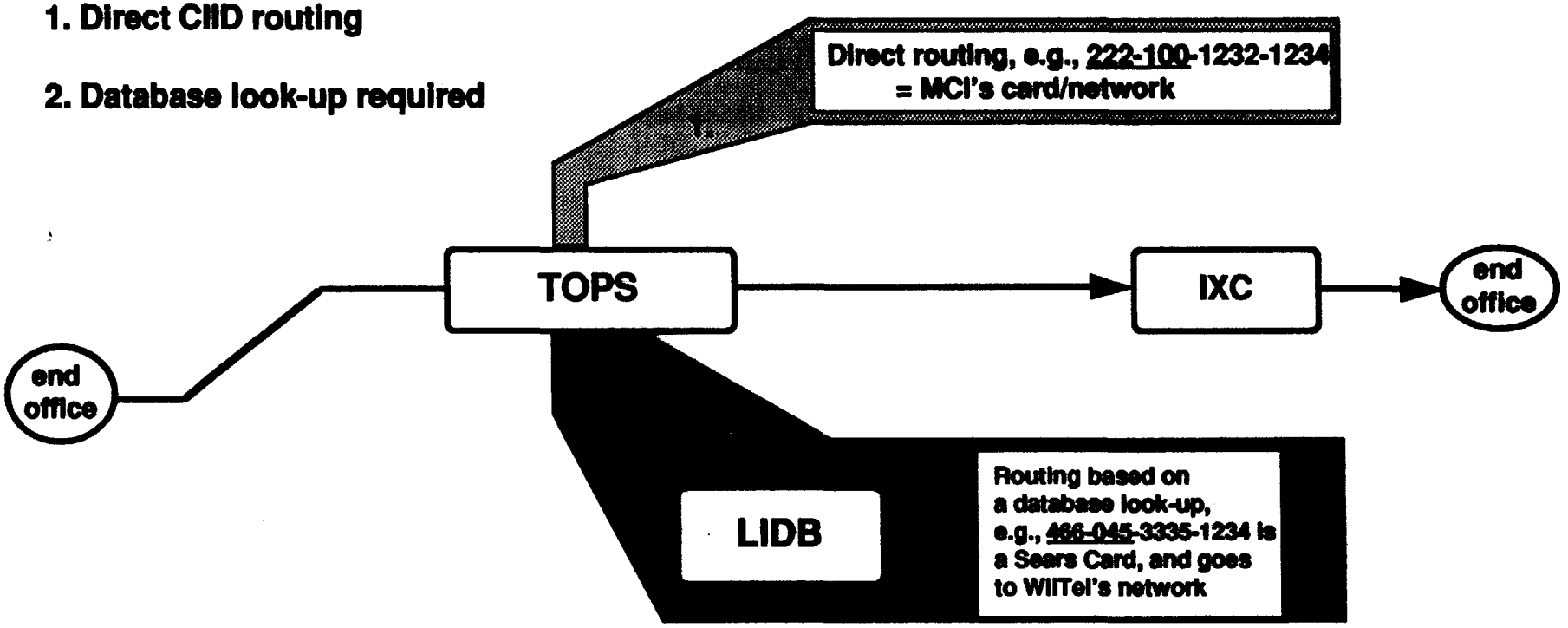
AABS = Automated Alternate Billing Services
OSS = Operator Services Switch
OSS7 = Operator Services Signaling System 7
IXC = Interexchange Carrier
TOPS = Traffic Operator Position Switch

IXC bound OSS7 Message will include data from steps 1,2, and 3

CIID Routing and Rate Elements

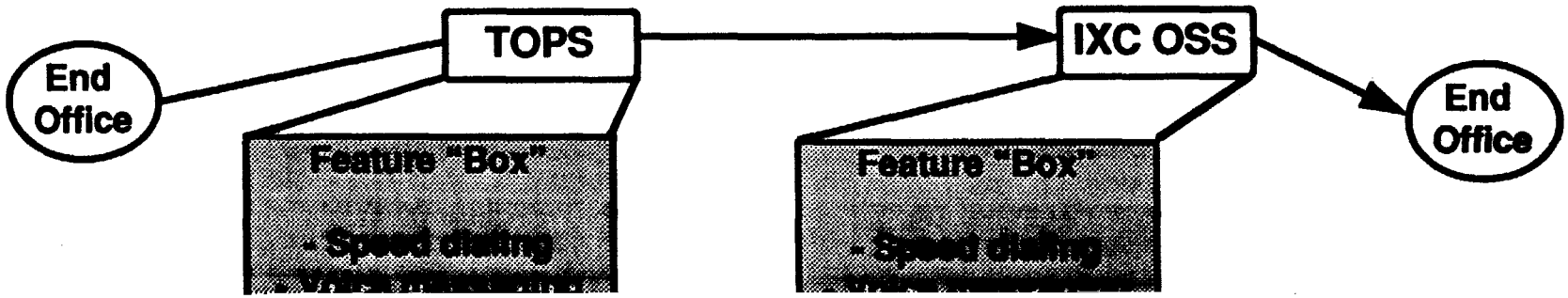
1. Direct CIID routing

2. Database look-up required

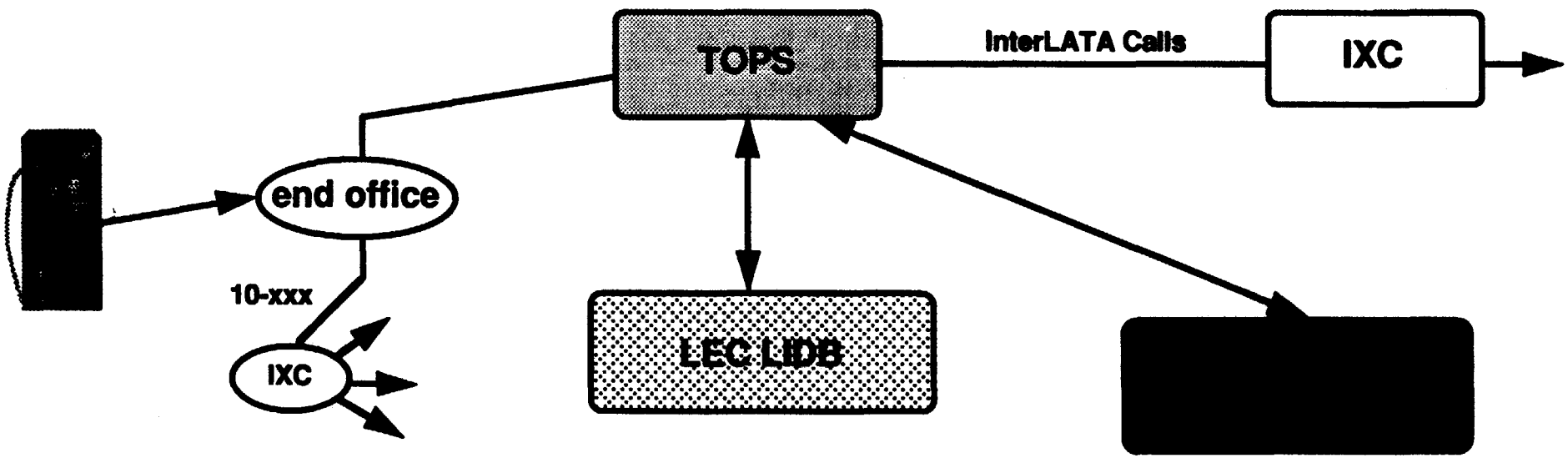


LIDB = Line Information Database

0+ Features Unavailable Without BPP



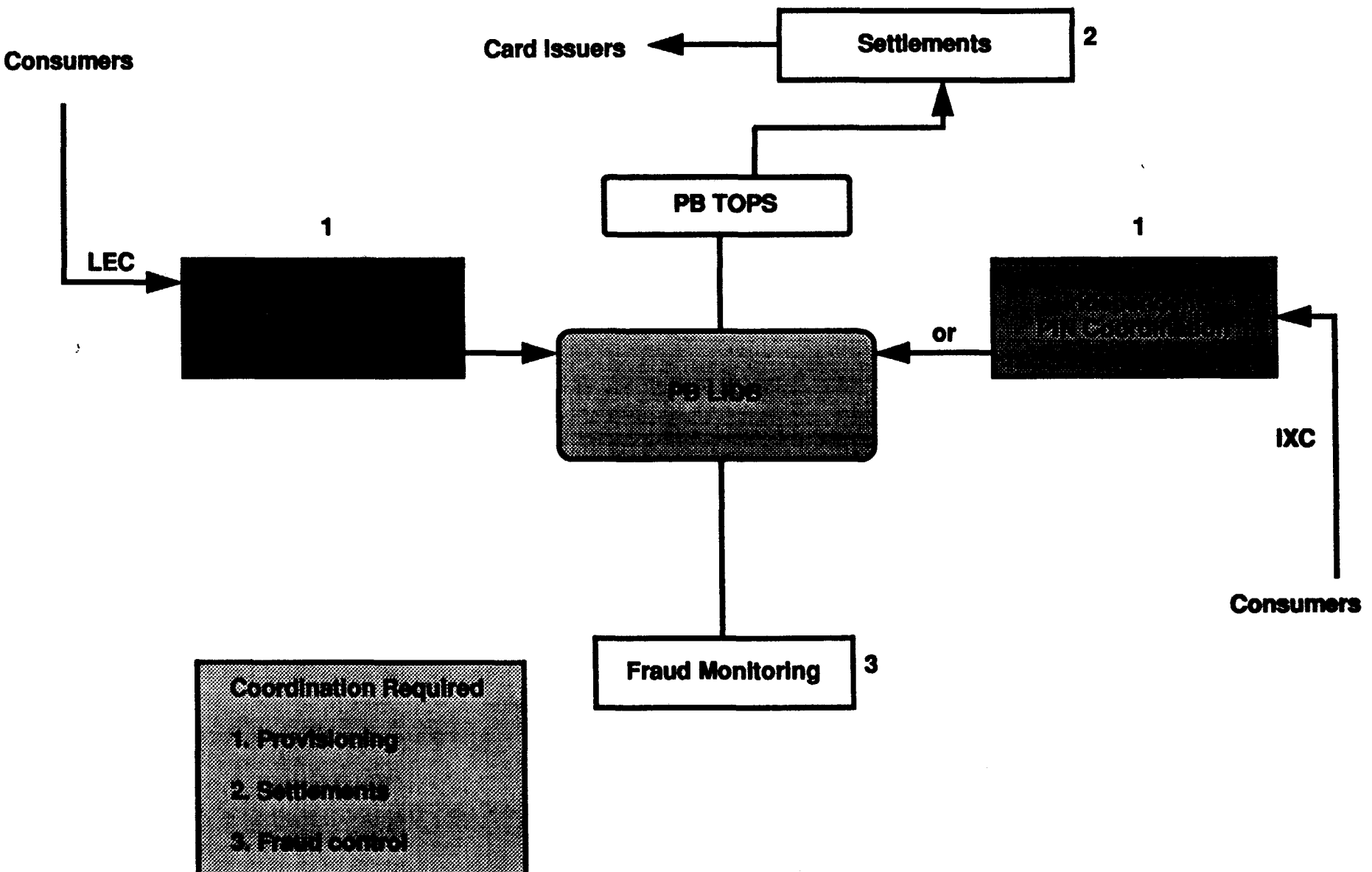
14-Digit Screening: All Data Must Reside In One LIDB



Concerns:

- **TOPS cannot access multiple LIDBs to find a line number**
- **Which IXC gets collect calls, and bill to third?**
- **Will IXCs rely on RBOCs to manage their data?**

14-Digit Screening: Significant Coordination Is Required



14-Digit Screening

Pacific Bell agrees with the need to offer all IXCs line number card issuance capabilities. We see 14-digit screening as an unworkable and uneconomic solution.

Routing and validation: NEED ONE DATABASE

- **TOPS cannot look to more than one database to find a line number**
- **Thus, all data will need to be placed in one LIDB**
- **By default, this will be the LEC LIDB**

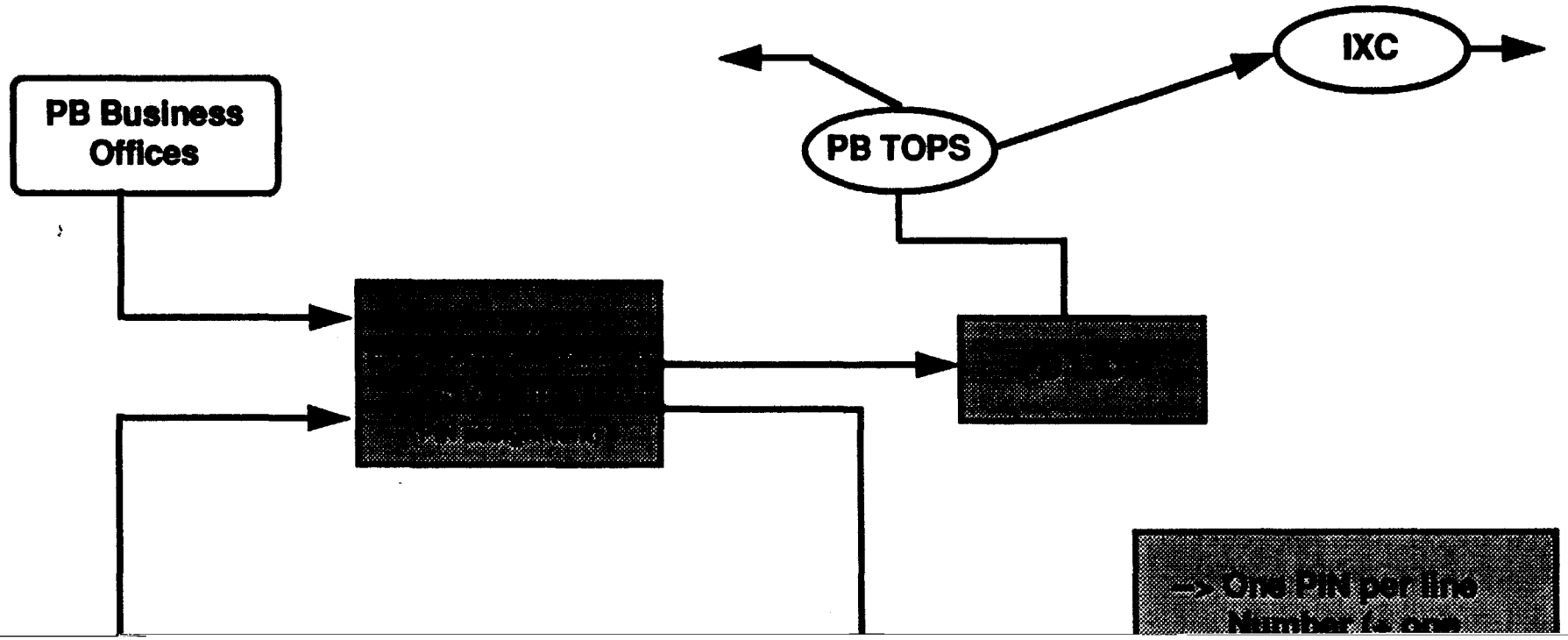
Provisioning: NEED CENTRAL COORDINATION

- **All PINS can be located in a single LIDB. A key question is which IEC gets collect and bill to third calls?**
- **IECs will have to rely on RBOCs to manage their data, to varying degrees.**
- **PIN administration with ordering and lost and stolen cards will be a nightmare and cause customer confusior**

Billing: NEED CMDS COORDINATION

- **Rated IntraLATA messages will need to be sorted by PIN**
- **Multiple recorded PIN data will be stored and handled in multiple locations.**

Alternative Solution For IXC Line Number Cards



PCS and BPP

Pacific Bell Research Yields The Following View.

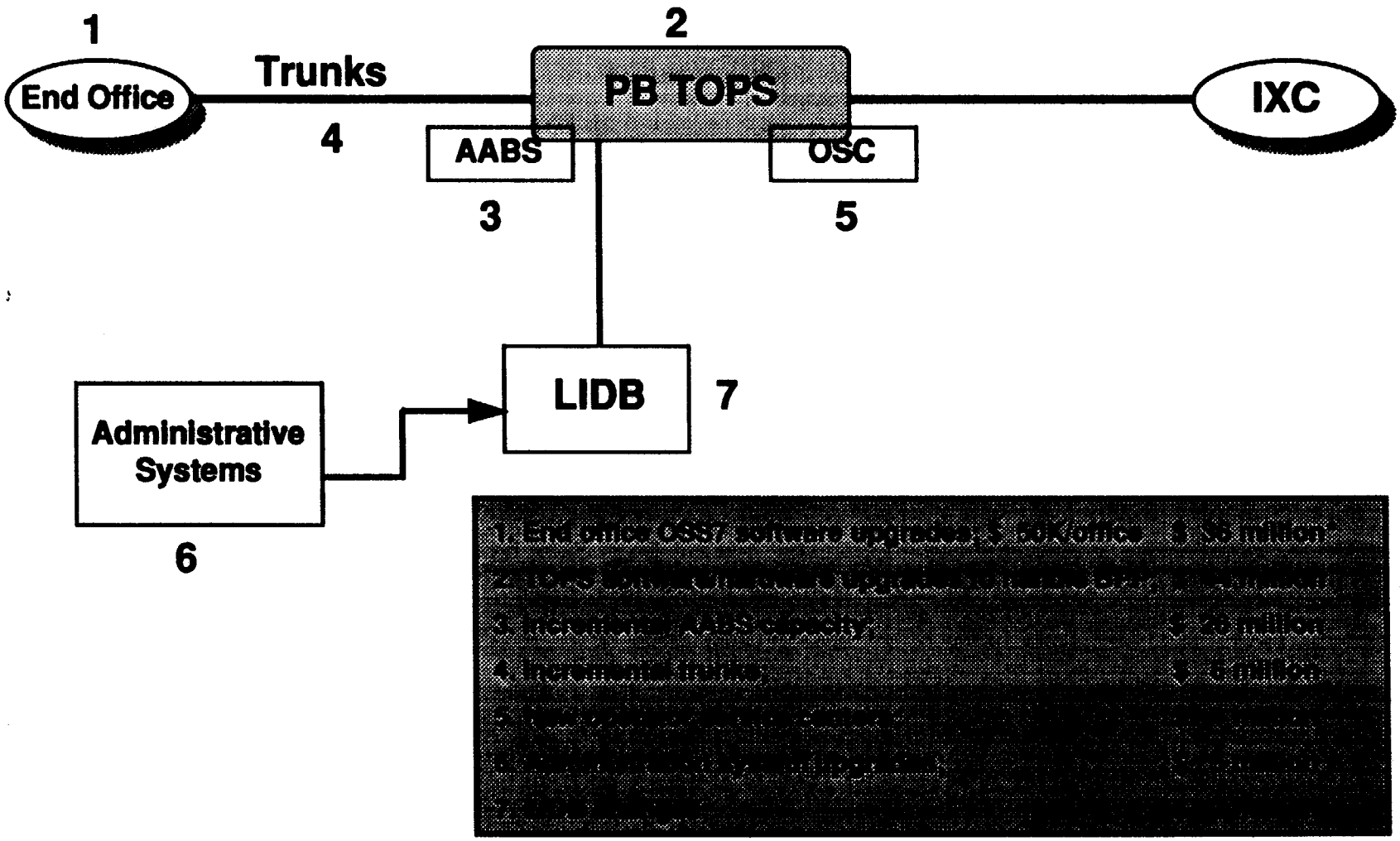
- **Saturation will not occur for at least ten years.**
- **Nearly 40% of population will adopt PCS.**
- **However, all but 5% of this will be incremental.**

Customer Education

Pacific Bell supports a cost effective one-time effort to provide consumers the option to have an 0+ PIC different than their 1+ PIC.

- **Direct mail**
- **Service representative training**
- **Other media, including bill inserts**

BPP Expense Elements



* $ 0 - 36 million if some cost allocated to infrastructure (per call rate ranges from 8 cents to 11 cents)

Is BPP In The Public Interest?

Annual Commission Payments

- **Average Commission Rate: 15-25%***
- **Interexchange revenues from payphone: $2.871 billion****
  (less 10% for sent-paid calls) (287) billion***

  $2.584 billion per year
- **Total commissions from payphones: $387 - 650 million per year (add 25%****** for other related locations to arrive at a total of $ 483 - 815 million per year)**

Per Call Commission Payments

- **Average per call revenue: $2.00*******
- **Average commission per call: .30 - .50 per call**

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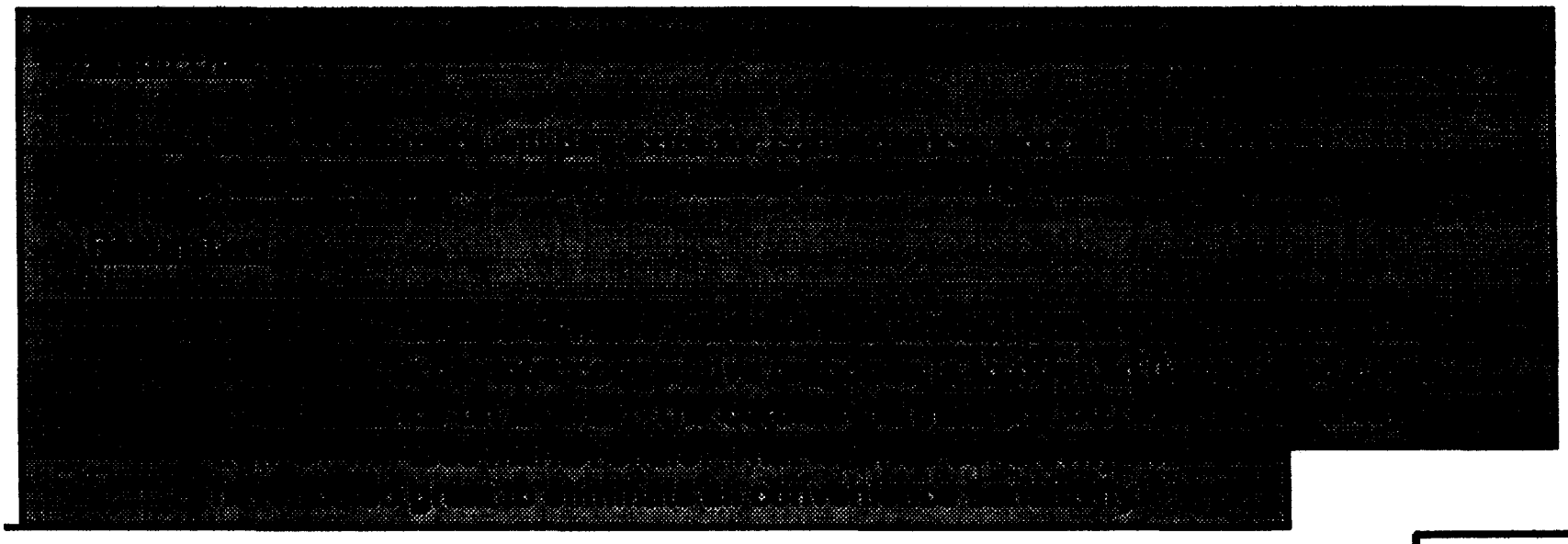
* Probe Research, Inc., Payphones, Equipment and Service Markets, and the Coming Wireless ERA, to 1995, p. 115
** Id., p. 317
*** Id., 10% derived from table 3-34, pg. 79
**** From a major IXC (Final FCC report pursuant to TOCSIA, November 13, 1992, page 19 showed figure to be $2.51 per call for AT&T, MCI, and Sprint and $3.72 per call for a sampling of other carriers.
***** Extrapolated from 1990 Bellcore BCC Card Opportunities Research, pg. 25

BPP Will Not Force Consumers Away From 0+ Dialing

Market Forces

- **Market is people on the move.**
- **Market characteristics are as follows.**
  - **More convenience sensitive (research* shows strongest interest in BPP comes from MCI and Sprint card users)**
  - **Less price sensitive (research shows 71-82%* of card administrators view calling card expenses as minor)**



*** 1990 Bellcore ABS research**

NPRM 92-77 - Cardholder View

Figures are annual

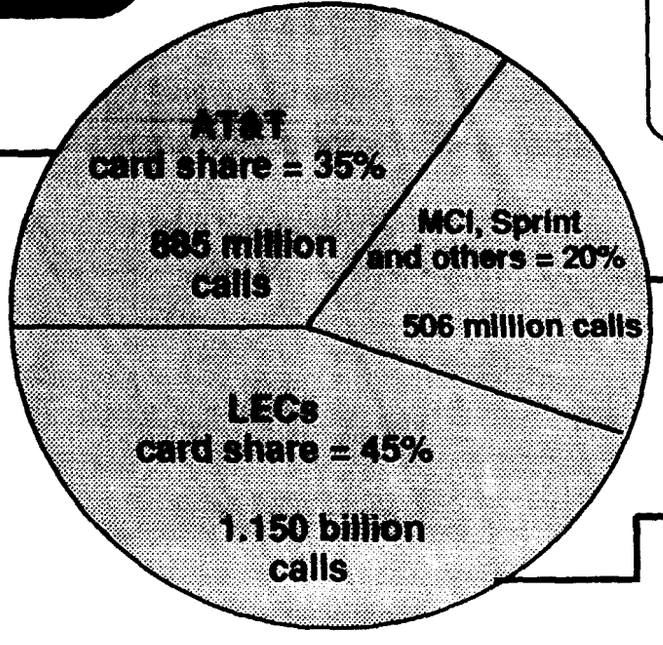
This is our best guess at the magnitude of the issue. The information is extrapolated from publicly available data.

AT&T cards are used at non-AT&T phones 32% of time (AT&T station share = 68%)

The number of potentially frustrating calls is thus 283 million (885 mil x 32%) minus an intraLATA component.

- Hang up and try again using 10-288 = 30 extra digits (this is less of an issue to the extent signage/education works)

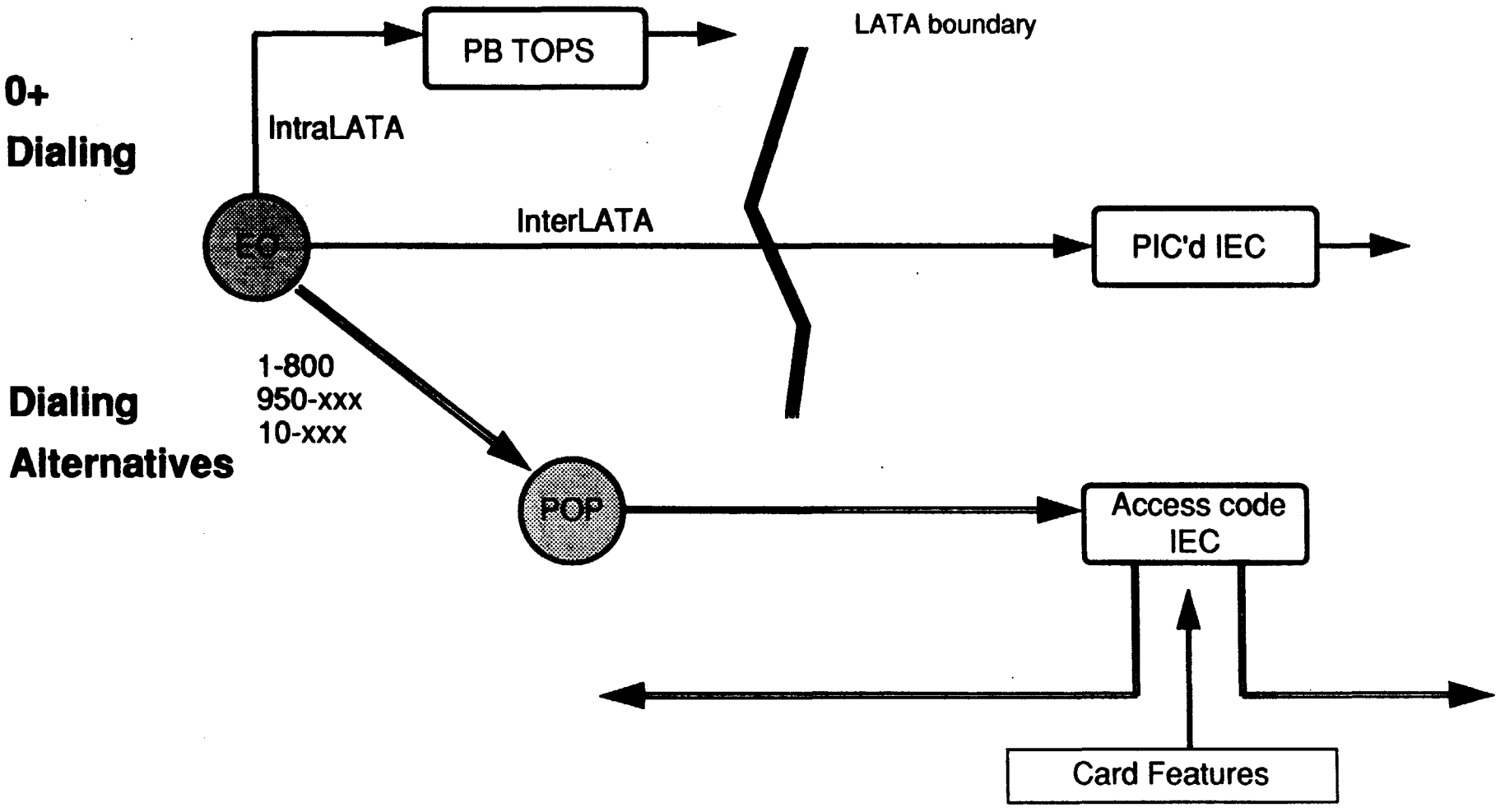
- and or 10-288 could be blocked by premise owner or due to LEC policy



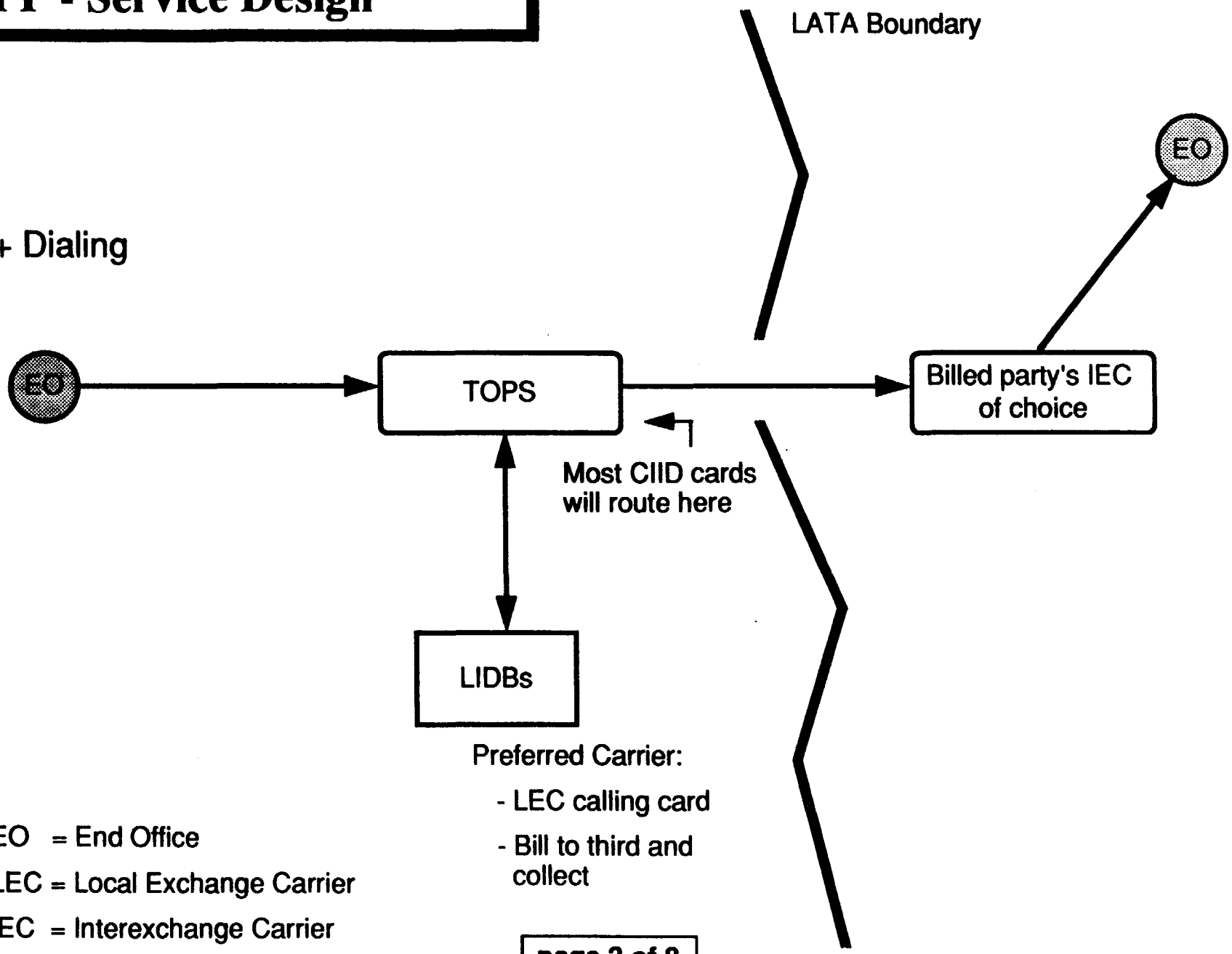
These cards are not designed for 0+ dialing The result is an inferior design and a total of 100% (506 million) of the calls require an access code and or 800 number.

The concern here is interLATA calls - the card user has no choice over rates and features because they can't control carrier selection.

Billed Party Preference - Current Situation



BPP - Service Design



EO = End Office

LEC = Local Exchange Carrier

IEC = Interexchange Carrier

BPP - Consumer Benefits

BPP provides clear consumer benefits

- Dialing convenience
- Faster call processing
- Rate and carrier assurance, simpler bills
- 0+ calling card features
- Indirect benefits from a more competitive market. The benefits will shift from premises owner commissions to end user security, value, and ease of use.

BPP Economic Benefits

BPP provides significant economic benefits

- Should reduce prices with more perfect competition.
- Eliminates the captive consumer arrangement and need for high commission payments.
- Minimizes consumer complaints and the associated overhead.
- Reduces the need for costly manual operator intervention.

BPP Design Concerns

Pacific's BPP design concept allows for a smooth transition and the most transparent operation.

- BPP is strictly a routing service.
- Validation information will be passed to the Interexchange Carrier.
- BPP could facilitate 0+ ubiquitous card features.

BPP Timing Concerns

Significant uncompleted implementation steps remain.

- Key design issues include the following items:
  - Routing vs. LEC processing responsibilities
  - Use of AABS
  - Special processing, e.g., person to person and disabled persons....
- Industry requirements and development depends in part

Billed Party Preference - Summary

To date, BPP is the only identified solution to the fundamental network routing problem. All other possible solutions only scratch the surface.

- Unblocking does not change the location monopoly dynamics nor does it provide any IEC other that AT&T 0+ calling cards.
- Improved consumer education and signage at best will only clarify for the consumer that there is a fundamental problem with this aspect of the "phone system".
- BPP provides an even playing field and consumer focused competition.
- BPP's relatively high cost can be justified when compared to today's current cost and market imperfections.
- The FCC should move toward a timely mandate and encourage the industry to focus on open design issues and implementation.